

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendraye
David C. Boyd
Marshall Johnson
Thomas Pugh
Phyllis A. Reha

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of an Investigation and Audit of
Northern States Power Company's Service
Quality Reporting

ISSUE DATE: September 25, 2007

DOCKET NO. E,G-002/CI-02-2034

ORDER SETTING STANDARD AND
STARTING INVESTIGATION

PROCEDURAL HISTORY

On October 22, 2002, the Commission initiated an investigation of the service quality of Northern States Power Company d/b/a Xcel Energy (Xcel or the Company), and the accuracy of Xcel's reports about its service quality, among other things.¹ The independent auditing firm *Fraudwise* was hired to conduct the investigation.

On January 6, 2003, the Commission initiated the current docket to continue the investigation of Xcel's service quality data distinct from other issues.²

In August 2003, *Fraudwise* filed a report identifying a number of concerns regarding how Xcel recorded, documented, and reported service quality information.

On March 10, 2004, the Commission issued its ORDER ACCEPTING SETTLEMENT AGREEMENT, AS MODIFIED, in which the Commission did the following:

- Accepted a settlement among the parties addressing Xcel's service quality.

¹ *In the Matter of the Inquiry Into Possible Effects of Financial Difficulties at NRG and Xcel on NSP and its Customers and Potential Mitigation Measures*, Docket No. E,G-002/CI-02-1436, ORDER REQUIRING ADDITIONAL INFORMATION AND AUDIT (October 22, 2002).

² ORDER BIFURCATING PROCEEDING, GRANTING INTERVENTION AND CLARIFYING APPLICABILITY OF METER READING ISSUES (January 6, 2003).

- Accepted Xcel's pledge to implement a new Outage Management System (OMS) to gather data regarding service outages, and directed Xcel to secure an independent review during the design and prior to implementation of the OMS to assure that the system would meet all regulatory requirements.
- Identified measures of service quality, although the Commission recognized that the standard for one measure of service quality -- the System Average Interruption Duration Index (SAIDI) -- might need to be revised after parties gained greater experience with the OMS.
- Accepted Xcel's pledge to make monthly and annual service quality reports, and to make penalty payments when its service quality fails to meet established standards.
- Made Xcel's OMS subject to periodic audits by an independent firm overseen by the Minnesota Department of Commerce (the Department) and the Residential and Small Business Utilities Division of the Office of the Attorney General (RUD-OAG).
- Directed Xcel to incorporate relevant changes into its service quality tariff.

On September 17, 2004, the Commission approved Xcel's revised service quality tariff.³ Among other things, the tariff states:

Xcel Energy shall pay for periodic audits of the accuracy of the outage duration data by an independent firm overseen by the Department and the RUD-OAG. The firm will have expertise in reliability reporting and electric industry practices and will evaluate the Company's outage records in light of reasonable and prudent utility practices. The verification of the Company's records by an independent firm shall identify whether the sufficiency of the documentation and/or errors in the documentation resulted in a problem that materially compromised the integrity of the annually reported value for outage duration. The results of these audits will inform the decision regarding the application of any under-performance payments required under this tariff.

The tariff also established a SAIDI standard of 98 minutes per year, and provided for parties to propose a new SAIDI standard by March 1, 2006.

In October 2004, Xcel implemented its new OMS.

On February 4, 2005, Global Enterprises Managers, Inc. (GEM) -- the firm that Xcel had retained to monitor the implementation of Xcel's OMS -- filed its final report.⁴ The report identified some deficiencies.

³ ORDER APPROVING SERVICE QUALITY REPORTING TARIFF AS MODIFIED (September 17, 2004).

⁴ Xcel filed this report with the Commission on July 5, 2007, and filed a public version on July 16, 2007.

On February 28, 2006, Xcel asked to extend the date for proposing a new SAIDI standard to March 1, 2007.⁵ The Commission granted Xcel's request and ordered the parties to reconsider Xcel's reliability standards when the OMS had collected five years of outage data.⁶

On February 28, 2007, Xcel proposed retaining the 98 minute SAIDI standard through 2008.

On April 26, 2007, the Department recommended retaining the 98 minute SAIDI standard through 2009. Xcel filed comments opposing to the Department's recommendation on April 30.

The matter came before the Commission on August 23, 2007.

FINDINGS AND CONCLUSIONS

I. THE SAIDI STANDARD

The "system average interruption duration index" (SAIDI) refers to the average customer-minutes of interruption per customer. It is determined by calculating the total number of minutes of service interruption experienced by each of a utility's customers during a year, divided by the utility's average number of customers during the year. Xcel must calculate this index pursuant to its service quality reporting tariff.

Under the tariff, Xcel becomes liable for service quality penalties if its SAIDI exceeds 98 minutes per year. No party proposes changing the SAIDI standard now, given that the OMS has collected only about three years of data. But the parties disagree about the appropriate time to establish a new standard. Xcel opposes extending the current SAIDI standard beyond 2008 because the settlement identifies 2008 as a date for standards to be renegotiated. The Department does not oppose Xcel's proposal to retain the SAIDI standard through 2008, but also recommends extending it through 2009.

While Xcel's tariff provides for renegotiating Xcel's service quality standards by 2008, it also provides for retaining the standards indefinitely until they are renegotiated. And, as noted above, the Commission has already directed the parties to reconsider Xcel's service quality standards after the OMS has collected five years of data. Because Xcel began operating its OMS in late 2004, the system will not have accrued five years of data until late 2009. The Commission will therefore extend the current SAIDI standard until then.

⁵ Xcel petition of February 28, 2006.

⁶ ORDER EXTENDING TIME TO PROPOSE SAIDI THRESHOLD CHANGE AND REQUIRING PROPOSAL TO RESOLVE EMERGENCY GAS REPORTING ISSUES (October 13, 2006).

II. SERVICE QUALITY DATA

The OMS collects data used to evaluate Xcel's service quality, calculate any penalties for service quality lapses and, as noted above, set future performance standards. Xcel has had nearly three years to work through the system's implementation. The Commission is persuaded that now is an appropriate time to investigate how well the system is working. Consistent with the Commission's March 10, 2004 Order and Xcel's Service Quality Tariff, the Commission will authorize an independent audit of the OMS.

To this end, the Commission directs Xcel to retain and pay for an independent auditor to determine if the OMS and related processes are producing accurate, reliable and consistent documentation of the customer outage duration and frequency, and whether the Commission is receiving proper reports of Xcel's service quality indices. Among other things, the auditor shall do the following:

- A. Review relevant process maps, policies and procedures.
- B. Review deficiencies identified in the *Fraudwise* and GEM report, and evaluate whether Xcel has addressed these deficiencies in an acceptable manner.
- C. Determine and document whether Xcel has made any changes to the systems or process since the time of the GEM report that could affect the accuracy, completeness, consistency or reliability of the outage data report.
- D. Audit a representative sample outage data from 2005, 2006 and 2007 to evaluate whether --
 - outages are being properly recorded and counted in a reasonable and consistent manner,
 - OMS-generated reports are reliable and accurate and
 - the monthly and annual service quality reports provided to the Commission are accurate, reliable and consistent.

Xcel shall be responsible for drafting and issuing the Request for Proposals (RFP), and all other administrative actions necessary to implement and complete the audit. Xcel shall act under the oversight of Commission staff, which shall consult with the Department and OAG-RUD. Specifically, Xcel shall secure the staff's approval before finalizing the RFP, bidders list, selection of the independent auditor, and the engagement contract. The Commission's Executive Secretary will be authorized to set time lines, procedures, and take other procedural and administrative actions necessary to implement and oversee the audit.

Finally, Xcel shall cooperate fully with the auditor and its representatives, including providing access to all data, information, systems and personnel necessary to effectively carry out the audit. In this manner, the Commission can gain assurance that the data it receives from Xcel accurately and fairly reflects the service being received by Xcel's customers.

ORDER

1. The System Average Interruption Duration Index (SAIDI) standard of 98 minutes shall remain in effect for calendar years 2007, 2008, and 2009.
2. Xcel shall retain and pay for an independent auditor to determine if the Outage Management System and related processes are producing accurate, reliable and consistent documentation of the customer outage duration and frequency, and whether the Commission is receiving proper reports of Xcel's service quality indices, as set forth above.
3. The Executive Secretary shall have the authority to set time lines, procedures, and take other procedural and administrative actions necessary to implement and oversee the audit.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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